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R.F.X. CONNOR MEMORIAL LECTURE

1981

Australia: Cliant State of International Capital

By

E.L. Wheelwright

UNIVERSITY OF WOLLONGONG HISTORY SOCIETY

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R.F.X. CONNOR
MEMORIAL LECTURE
1981

AUSTRALIA: CLIENT STATE OF INTERNATIONAL CAPITAL

Delivered by
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Sydney

Union Hall, University of Wollongong
30 October, 1981

UNIVERSITY OF WOLLONGONG HISTORY SOCIETY 1981

The University of Wollongong History Society established the R.F.X. Connor Memorial Lecture Series as a tribute to his representation of Wollongong in local, State and Federal politics from 1938 to 1977 and to his personal contribution to the debate on Australia's natural resources. As Minister for Minerals and Energy Connor expressed firm views on the ownership and control of those resources:

"Throughout my two-and-a-half years as a Minister of the Crown I have stood in the path of those who would have grabbed the mineral resources of Australia. I have no apologies whatever for what I have done. It has been done in good faith. It has been done in honesty. I fling in the face of the little men of the Opposition the words of an old Australian poem.

'Give me men to match my mountains,
Give me men to match my plains,
Men with freedom in their vision,
And creation in their brains!"

Each Lecture provides a platform for the expression of personal views within the theme of the Lecture Series

THE THIRD R.F.X. CONNOR MEMORIAL LECTURE

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Fellow Australians, and especially relatives and friends of the Connor family. The organisers of this Third Rex Connor Memorial Lecture specifically requested me not to allow it to develop into a eulogy of Rex. I have respected their wishes, but that does not prevent me from making a few observations and reminiscences as my tribute to the man who represented this city at various levels for 39 years. Rex Connor was a man ahead of his time; his ghost stalks Australia. You almost can see it when Doug Anthony makes his schizophrenic speeches about private enterprise and state control; you can almost feel its presence at the current Australia Japan Business Co-operation Committee meetings; and you can almost hear it getting very upset at the mere presence now in Australia of Henry Kissinger and David Rockefeller.

The future historian of the Whitlam era will describe Rex Connor as the politician who attempted to do the most for Australian economic independence, and as the most vilified of all for so doing. He was an **unashamed economic nationalist**; he did not believe in all the current rubbish about interdependence, he know that was a fashionable name for a new form of colonialism. He know who the main enemy of Australian economic independence was; in 1972, well before the A.L.P. took office, he arranged for me to brief the parliamentary Labour Party on the impact of multi-nationals on Australia.

Rex was fond of the short, direct, question. In 1973 he asked Tom Fitzgerald to find out what Australia was getting out of the mineral industry; this simple question was the origin of that little masterpiece of political economy, the Fitzgerald Report. In 1974, he was afraid that Whitlam was not saying enough in the run-up to the election, on the question of foreign ownership and control of the economy.

Rex asked me to prepare a brief on the issue for Gough, which I did. Obviously, I failed, for there was little mention of it in policy speeches. Connor wanted a progressive profits tax on the mineral industry long before the term "resources tax" became popular. He know all about the deliberate attempts by our major customer to create excess capacity in coal production, so as to drive the price down. In 1974 he refused permission to open a number of new coal mines in Queensland.

No Labour politician is more worthy of a series of Memorial Lectures in his honour, and I am both pleased and proud to deliver the third such lecture. If he is listening in the Great Beyond, I think he will be pleased.

The purpose of this Memorial Lecture entitled, **Australia: Client State of International Capital**, is to discuss the impact of sustained foreign investment through multinational, or as they are now called transnational corporations (TNCs), on the Australian economy and society. It is the theme of a new book to be published by Penguin late next year, with the same title. This is a subject dear to Rex Connor's heart. When he took federal office, nearly nine years ago, there had been over two decades of such investment, and a number of the effects had already been analysed. To-day, almost a decade later, there is an extensive literature on this impact on particular countries, and on the capitalist world economy in general.

What is now emerging from this is the central thesis that international capital is out of control by virtually any national government. The transnational corporation has internationalised key areas of the means of production, and hence has centralised economic power on a world scale, In an unprecedented fashion, when the world is not yet ready for a parallel internationalisation of political power. Transnationals are internationalising the world economy in their own way and for their own purposes. As a consequence, the power of the nation state to control its own economic destiny has been gravely weakened, and no international political institutions have yet been created which can step into the breach. In short, the contradictions of capitalism are now being expressed in the international economy, and there is no world government to soften them internationally, as was the case when capitalism was more subject to national control. This is undoubtedly one of the reasons why the current crisis of world capitalism, which is now in its eighth year, has not been resolved, and is indeed, deepening, as will be discussed later.

It is important to begin by stressing that what has happened affects many counties, not just Australia, but the more a country is penetrated by transnationals, the more deeply is its economy and society affected. Australia is, on OECD calcuations, the second most penetrated of OECD countries, with Canada being first. Most national economies are now globally interdependent and highly concentrated, locked into world capitalism by transnational conglomerates which straddle industries and nations.

We can now speak of a significant number of world industries in which less than a dozen giant corporations control about two thirds of the global market. This is true in aluminium, with the Big Six; in automobiles with the Big Eight; in oil - even after OPEC, the Seven Sisters control about half; in tobacco there are the Seven Smoking Sisters; in computing and data processing there is Snow White and the Seven Dwafs - IBM controlling almost two thirds, in advertising a dozen companies dominate the billings - all but one being American, and in accounting the Big All American Eight "do" the books of most transnationals. I use the word "do" advisedly.

Similar concentration can be observed in other industries such as jet engines, large aircraft, copper, nickel, tin, pharmaceuticals, food processing, seeds, chemical fibres, insurance and banking. Even within these sectors

concentration is increasing, oil corporations become energy corporations as they buy out coal, natural gas and uranium companies, as Rex Connor noted in his speech to the 1975 ALP Conference in Terrigal. Since then, these energy coprorations have been using their enormous cash flows to buy out mineral companies. One estimate is that there is now only five large transnational mining corporations in the world still independent of the oil majors, outside of the aluminium group.

Practically all of these giant global conglomerates operate in Australia. So there is, on a world scale, transnational dominance in production, finance, and marketing. In world trade, the top 400 TNCs control about half of the non-agricultural trade in the capitalist world. Even in some agricultural commodities, such as grain, bananas, cocoa, cotton and tobacco, a few compnaies dominate each market. This is also true of particular countries, e.g. about half the trade of the U.S.A. passes through TNC channels; and a decade ago one third of Australian imports flowed through TNC channels. It is almost certainly more now.

These developments have occurred over the last three decades and consequently there has emerged a very considerable literature on the subject. A number of effects have been noted.

Taking general effects first, whilst undoubtedly there has been growth and development, it is of a kind which suits the requirements of the transnationals, so that it is development and dependence. Once TNCs dominate key sectors of an economy, most other options are foreclosed. The key economic decisions are made in board rooms in New York, Tokyo, London, Frankfurt, etc. This means that it is impossible to plan or develop an economy according to local needs or requirements. What are paramount are the requirements of the corporations, which may or may not co-incide with the interests of the natives. Even in America, it is recognised that no longer can it be argued that what is good for GM is good for the U.S.A., when it closes down plants there and sets them up in Europe.

The second general point is that it becomes more difficult for governments to control national economic systems because the key variables have become less susceptible to national forces, and more susceptible to international ones. Thus, the key investment decisions of the private sector pass out of national control when they are made by transnational headquarters in other countries, and this applies both to the decision to bring in investment capital, and to take it out. Similarly with enormous sums of money flowing across the national frontiers within transnational channels, it becomes difficult to identify and control them, and to determine the exchange rate, this is especially so the more a number of powerful transnational financial institutions are operating. Hence both the money supply and the interest rate become even more difficult to control than in former times. Even the prices and quantities of imports and exports are determined more by transnationals than governments, when a significant proportion of trade flows through corporate channels.

On taxation, there is now clear evidence in a number of countries, including Australia, of a significant erosion of the tax base; big TNCs are now paying less tax than others, and in some cases no tax at all. So, either public expenditure has to be cut, or others have to pay more tax. Which is one of the reasons for the tax revolt around the world.

There is a situation then, where new and vastly more powerful organs of capital have revolutionised the structural relationships between public and private power, and between capital and labour. In key areas of policy which are essential for achieving full employment, they have been able to minimise public influence and control. These include the power to tax, to control the supply and the price of money, to control trade and investment flows, and exchange rates. The very mobility of capital internationally, emasculates public control over the investment decision.

The investment decisions - to come in, or pull out - are crucial because they affect employment directly. These decisions are particularly important in industries not tied to a natural resource base, such as manufacturing, and certain service industries. Through various organisations such as the Pacific Basin Economic Council, TNCs are re-shaping, re-structuring the Australian economy to integrate it more fully into the new international division of labour, which is being developed around the Pacific Basin. It involves the re-organisation of the Asian Pacific Basin. It involves the re-organisation of the Asian Pacfic region into four inter-related tiers; U.S.A. and Japan are the **first** tier, and they are to act as providers of capital and technology, in the **2nd tier** are Australia, New Zealand and Canada, as suppliers of food-stuffs, raw materials and energy; the **3rd tier** are the cheap labour countries, who are to follow export-oriented strategies of industrial and agricultural development; and the **4th tier** comprises China and other socialist countries, which the capitalists hope can be re-integrated into world capitalism in some form or other.

These international capitalists have obeyed Karl Marx's injunction "to unite, for there is a world to win, and nothing to lose but their chains" linking them to national governments. The workers did not take much notice, and still allow international capital to divide them, using the time honoured device of the theory of free trade, now polished up and refurbished by those handmaidens of capital, the economists, masquerading as objective, value-free scientists.

High level representatives of these "transnational elites" are visiting Australia now, to plan our future in their interests. Henry Kissinger, the Nobel War Prize Winner is here, and so is David Rockefeller of Chase Manhattan Bank. They are part of the International Advisory Committee of Chase Manhattan Bank, which includes representatives of well known multinationals, and here to review resources development in Australia in the 1980s.

One result of this corporate re-structuring is that Australia is being de-industrialised. Companies are re-locating in S.E. Asia, using the latest

equipment and paying wage rates 10% of those in Australia, in countries where there are no free trade unions, and which often are a police state, of some kind. Textiles, clothing and footwear have been the first cabs off the rank. Next is the automobile, with the concept of the world car. Parts only of that car will be made in Australia, it is almost certain that significant sections of the industry will close down because some parts can be made more cheaply elsewhere. Indeed the process has already begun, with closure of plants - a process which is probably irreversible.

All these areas of economic policy - investment, taxation, money, interest, and trade - are vital if governments are to have successful employment and development policies. Yet more and more these are determined by transnational assessments of the situation than by any elected government. The transnational assessments are not capricious; they are designed to maximise profit on a world scale, and not to favourably affect particular national economies.

There is a further point here, which relates to the relative size of governments and corporations. Most economic policy devices were developed when corporations were much smaller, and governments had almost as much information as they had. This is no longer so; most giant corporations have more resources than many governments. They know where the oil is, and how to turn an old well into a new one, to achieve world parity pricing. Monetary policy in particular was designed when banks were much smaller, and more competitive than today's giants, before the age of transnational banks and the overnight electronic transfer of funds; before the Euro-dollar market, that enormous source of private international capital not subject to any government control.

And of course, in the area of financial information, TNCs are aided and abetted by TNC accounting firms, the "space-age alchemists", who can "turn banks into non-banks, dividends into interest, and profits into losses", at the point of a computer terminal. Tax havens are another story - they are the places where profits are shunted to avoid tax. Grand Cayman island in the Caribbean boasts 95 banks, more telex cables per capita than any place on earth, and freedom from taxation. What they did not tell you in the news about the New Hebrides (now Vanuatu) is that it had, in spite of its miniscule population, 8 banks, 7 accounting firms, and freedom from taxation.

The conclusion on this second general point, that governments have increasing difficulty in controlling national economic systems, is that to talk of national development policies in a world of international capitalism is really to propagate myths. What we have are corporate development policies, pursued by global corporations, who represent a few rich shareholders and financial institutions in the industrially advanced countries, and whose prime function is to manipulate the world in order to make a profit.

Moving now to more specific points, the following effects can be noted and observed to a greater or lesser extent in Australia. Firstly, the effect on the inflow and outflow of capital. Much depends on the pattern of foreign investment, whether it is export earning, import saving, neither, or both. And this can vary over the years. For example, TNC investment in Australia was probably import saving in the fifties and early sixties; then, as there was not much more scope for expansion in catering for the domestic market, more foreign capital began to flow out of manufacturing industry than came in. This soon began to be offset by the mineral boom of the late sixties, in which more came into the mineral sector than went out. But this did not last long as the figures show.

Most experience of TNC investment seems to show that in the first decade or so, the capital inflow exceeds the outflow of profit and interest and other property payments, but after the second decade, if not earlier, the flows are reversed. Sometimes a net drain is avoided only because fresh inflow finances the outflow, but there comes a point beyond which this is not possible. When this happens the country resorts to official borrowing to shore up its weakening balance of payments. Australia now seems to have reached this stage, with outflows reaching $2 billion, and government borrowings in excess of Rex Connor's ill fated $4 billion, which have to be repaid this decade.

In short, these development strategies are leading to more foreign indebtedness, not less. They also involve quite considerabla transnational access to the Australian capital market. This is perhaps the best confidence trick in the repertoire of international capital, and we have fallen for it - we lend them money to buy us out! Once the balance of payments problems begin to be serious, the stage of dependency on various international lending agencies begins; agencies such as the transnational banks, the IMF, the Gnomes of Zurich, the Paris Club of Bankers, the American Export Import Bank, and all the others who exact a political price for their money-lending favours. This price usually includes deflation, reduction of welfare services and payments, the selling off of government enterprises, increased unemployment and reduced real wages, dismantling of controls; including protection; and freer rein to so-called market forces.

It has to be realised that smaller capitalist economic systems such as Australia have only been able to survive by the creation of forms of state capitalism, which have protected both their capitalists and their workers from the inroads of world competition by those bigger and stronger and more efficient. This is the basic reason for the various forms of agrarian socialism practiced through the numerous producer-dominated marketing boards, from apples and pears to wheat and wool. And for the protection of manufacturing industry in its various phases; the control of the import of people as well as of goods; the licensing of banks and the prevention of foreign ownership and control in the media and in air transport. Often one of the vehicles state capitalism used for this protection was a state owned

instrumentality such as the Commonwealth Bank, the ABC, Telecom, TAA, and Qantas.

As the permissible areas open to foreign investment which are sufficiently profitable come to be "worked out" by TNCx, pressure rises to open up others.

Pressure is exercised in diverse ways to dismantle sections of state capitalism to open up fresh areas of profitable opportunity. It gives rise to a kind of "corporate cannibalism" in which private corporations slice off the more succulent parts of public enterprises, leaving the less attractive parts for the natives. We can see this in relation to Telecom where pressures are operating to hive off some of its signficant functions to private enterprises, which means transnational electronic companies and purveyors of satellites.

We see it operating in the case of the Wheat Board, and the continuing challenges to its legality made on behalf of some of the big multinational grain traders, who would love to take over from the Wheat Board. They were successful in doing something similar in Canada a few years ago.

We see the beginnings of the operation in the pressure to force the ABC to accept commercial advertising; the linkages of one of our own transport transnationals with the NSW railways, and its interest in the lucrative coal and wheat freight business. These pressures do not come only from foreign companies, as is clear in the case of the kites flown about selling off TAA; but often the only possible buyers are foreign investors.

Sometime, de-regulation is necessary as a prelude to such sell-outs. The airline industry is a good example of this. Internationally, as a result primarily of American pressure, the industry has been de-regulated; this means much more competition, particularly in fares, and this means that some of the smaller national carriers, such as Qantas, may not survive, especially if governments refuse them access to lower cost capital and good management. As they go broke they can be picked up for a song by either local or foreign private airlines. Similarly with internal airlines, the regulations which were changed to allow Ansett to operate profitably, can be changed to make it difficult for TAA to compete. As it loses money, it can then be sold to prevent its losses adding to the government deficit.

Hence, to the three decades of the de-nationalising of private enterprise in which thousands of Australian capitalists were bought out, resulting in at least 36% of all corporate profits accruing overseas, and foreign control of large sections of our strategic industries such as energy, minerals, transport equipment and basic metals; we must now add the beginning of the denationalising of the public sector.

One important effect of this de-nationalisation of the private corporate sector is that the areas available for equity investment become smaller and smaller. As more and more companies become taken over, the amount of scrip available in relation to the capitalised wealth of the country, declines. Especially for the large financial institutions, there is a lack of suitable investment opportunity, and some have even agitated to be allowed to invest more abroad. This has now been granted to some extent, and must surely be one of the most ironic contradictions of the system!

There is now an increasing concentration of share ownership in those large companies which are still open to Australian financial institutions. A few of these institutions come to dominate the shareholders lists. This increasing concentration of share ownership in a relatively dwindling arena, has serious consequences for the stock exchange, and for the ultimate control of the remaining companies. More and more, the stock exchange becomes the playground of foreign investors and a few local financiers, it is now the beggest legalised casino in Australia, in which foreigners buy out the titles to our resources. We should be mindful here, of the dictum of Lord Keynes, the great British economist, who said, in the middle of the Great Depression of the 1930s: "When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done".

There is a further national effect to be noted, and that is the tendency to national disintegration in a federal system where some provinces or states are particularly rich in natural resources. This has been noted in Canada, and now seems applicable to Australia. Where the states have a considerable degree of autonomy in economic matters, especially with mining leases, and there is reliance on foreign capital and markets to exploit the resources, these states come to have more in common with foreign capital and markets than the federation. In short, economic forces begin to exert pressures tending to pull the nation apart, causing some sections to espouse freer trade, and others, protection. The foreign financed development of our resources in Queensland and W. Australia in the last decade and a half, is a price of the strains which beset the Australian federal system. Further rapid development will make the situation worse.

On industry generally, there are two further points to be made. One is that it is most uneconomic to allow TNCs unlimited access to a particular market, especially if this is a small domestic market. By allowing them all to set up shop, producing cars, tyres, fertilisers or what have you, there develops what the Canadians call the **"miniature replica effect"**, by which they mean that you set up in your own country, a copy in miniature of the structure of that industry on a world scale. Thus, you end up with the Big Eight, the Big Six, the Seven Sisters, or whatever, in your own tiny market, when one of them, or maybe two, could most economically supply that market. Each operates at low volume, high cost, and then seeks more protection to make a profit. If granted, as usual, the consumer pays and the result is a fragmented, inefficient, badly located industrial structure, which has no hope of competing in the export market. This is the legacy of a laissez-faire policy coupled with pressure from multinationals, and is not the fault of the workers or their unions.

The other point is that once there is a significant aggregation of foreign controlled production units, there is then a cumulative effect on the supply of service functions, which tend to be foreign controlled. The TNCs involved in production expect to have access to the same advertising agencies, the same accounting firms, and the same insurance and finance companies that they were used to in their home base. Consequently, as in Australia, these functions end up being dominated by TNCs, unless they are deliberately excluded as an act of policy, as with foreign banks.

In the case of banking, the question then arises as to "When is a bank not a bank", so as to evade the regulations. As a result you get an invasion of banks dealing with companies, but not accepting deposits from the general public, because of the regulations. This then begins to evolve into the familiar technique of "picking the eyes out of a particular industry", leaving the natives to finance essential but relatively unprofitable functions. Branch banking is becoming increasingly unprofitable, so foreign banks don't really want to enter this kind of "retail" banking, they prefer "wholesale" banking, in which they can lend millions of dollars to big corporations at the stroke of a computer, and finance take over bids and other really lucrative banking functions. No doubt the regulations will soon be changed, so that foreign banks will be allowed freer entry to perform the more profitable "wholesaling functions", without having to cater for the small savings of the natives, or pander to their insatiable requirements for housing loans. What a wonderful surprise it would be to see Mr. Rockefeller of Chase Manhattan Bank, offered such a licence!

Obviously, in the Campbell Committee of Inquiry into the financial system there are moves afoot to de-regulate the finance industry so that social investments like housing and public works do not get preference, but will have to compete on an equal basis for funds with giant natural resource corporations. The result will be to reduce the flow of funds into housing, and to raise the price. This is what is meant by allowing "market forces" free rein.

Transnationals play an important role in transmitting culture, not only in the more obvious areas of the manipulation of consumer tastes and the stimulation of a consumer ideology through advertising, but in other areas of the media, such as news gathering and dissemination, films, books, education and the arts.

Management and business practices are a special kind of cultural impact, as is the effect on the industrial relations system. The impact of television and advertising has been well documented - in most countries the sources are American transnationals in both cases. In the matter of news gathering, there are four transnational news agencies, U.P.I , Associated Press, Reuter and Agence France Press. They also have an effect on the local press Book publishing is becoming more and more concentrated in TNC conglomerates. Most studies of the industry show that TNC domination of it emasculates the local industry, with a consequent increase in cultural dependence.

The importance of transnational hardware - satellites, cable television, tele-education, computerisation, etc. has yet to be fully assessed. One author warns us that the "computerisation of civil society is under way - it is destined to become the universal culture which encourages the expansion of Empire, and by the same stroke, contributes to the enslavement of each country's national consciousness". In short, the new technology can permanently institutionalise the "cultural cringe".

As for technology, most of it has effectively been privatised in TNCs. Most of the research and development (R & D) is carried out by large corporations based in the U.S.A., Western Europe and Japan. Some of these spend more on R & D than many governments do. TNCs control almost 90% of world patents. Research and development is now a $150 billion global enterprise, employing some 3 million scientists and engineers. The flow of money involved in paying for this technology is very large; there is a profound effect on international trade through licenses, "tie in clauses", restrictive export franchises and restricted use of local materials.

There is a vast literature on this subject; among the most important concerns are the appropriateness of the technology transferred; the effect on the environment; and technology as a form of control. The latter is particularly important as a way in which the working class can be controlled. Much technology is designed not only to eliminate people because they cost too much to employ, but because workers are a nuisance to management.

Finally, there is the whole question of the relationship of TNCs to the indigenous business classes, and to the state. Most of the evidence points to the conclusion that a dependent economy leads to a dependent business class, and a dependent state, which is a client state of the major sources of foreign capital. In the early stages of dependency, which for Australia was the mid-sixties, some members of the local business class realised that their functions were being taken over, and began to try to use the power of the state to prevent further ecroachments. Hence we had Black Jack McEwen's famous phrase of "selling off parts of the property to meet the mortgage payments", and the AIDC, otherwise known as the McEwen Bank. We had the original split-off from the liberals, Gordon Barton's Liberal Reform Party which became the Democrats, and originally had opposition to foreign investment as one of its main planks; and John Gorton's opposition to the takeover of the MLC company, as well as his action on uranium and the film industry.

These attempts failed, as did the economic nationalism of Gough Whitlam and Rex Connor. Like their overseas counterparts, most members of the Australian business classes came to join hands with powerful foreign investors, and use the power of the state against their common enemy, the working class and the trade union movement. And so there comes into existence a client state, whose main function is to shape the future development of the economy in such a way that the profits of foreign corporations have first priority, and the needs of the Australian people the last priority.

We have seen this happen often in the Third World, where the client state turns into a new sort of fascism, whose main function is to create and maintain the conditions where TNCs can manipulate the world to make a profit. The signs are already here, the emphasis on the "national interest", the manipulation of the media, the beating of the anti-communist drum, the reference to our glorious allies in ASEAN who were not sending teams to the Olympic Games, the Australian equivalent of banana republics, Queensland and W.A., and the latest sycophancy of Sinai.

The crucial political question facing Australia therefore, is whether it is possible to elect a government which would be willing and able to curb the power of TNCs. If not, the prospect before us is not capitalism or socialism, but barbarism.

In conclusion, it must be stated that on the evidence available it is a fair assumption that the capitalist world is now heading for another recession, or even a severe slump, as stock exchange behaviour indicates. The economy of the U.S.A. is sick, and it accounts for almost 40% of the GNP of the capitalist world. Almost every indicator is pointing downwards, automobiles, steel, housing starts, orders for both capital equipment and consumer goods. Going up are unemployment and stocks of unsold goods. These facts are well known, even to President Reagan, who admists to a slight recession.

What is less well publicised is that a major cause of these problems - not by any means the only one - is the Reaganomics of Rearmament. His plans call for the largest peacetime military build up in American history, three times as large as that for the Vietnam War. President Johnson refused to finance that unpopular war from taxation, and was responsible for much of the world inflation of the early 1970s. President Reagan is cutting taxes, especially on the rich. Reaganomics is a return to the rabid, right-wing doctrines of the Calvin Coolidge era of the 1920s which are being resurrected in the context of war preparations. The only way there is any chance of containing inflation is, therefore, to impose very high interest rates, which will choke off the demand for capital, and allow it to be used for war industries, especially in California, where Los Angeles is the arms capital of the western world.

These high interest rates are ruining the American economy and that of much of the rest of the world. The main beneficiaries are the bankers and financiers, who have expanded their power, their institutions, and their lending, enormously over the last decade. They have "pushed" their product, money, onto individuals, corporations and governments to an unprecedented extent, especially in the seventies. At the end of that decade in the U.S.A the real rate of interest increased enormously, as the bankers learned how to offset inflation. As a result, we are back in the days of Keynes, who in the 1930s, argued that the financial system was holding the economy to ransom, exacting an extortionate amount from industry, giving it an inbuilt propensity towards contraction and unemployment. In our day, the armourers have joined hands with the usurers, and the result is quite disastrous.

Hence the client state syndrome is exactly that, a disaster for the Australian people. For, apart from binding us to the psychotic symptoms of the declasse American cowboy, who has neutron bombs to play with, rather than six-shooters; the agents of international capital who run this country are binding our economic development to an economic system which is grinding to a halt. Every day the resources boom becomes more of a mirage, to use Rod Carnegie's term, first it was aluminium, than copper, then iron ore, and now coking coal. The world market for these is flat as a pancake.

We are at a conjuncture in history, at which the situation must be turned around for we are heading into war and depression. The client state of Australia must give way to the independent state of Australia. There is a remark of the economist Keynes, who was hardly a radical, made in the middle of the Great Depression of the 1930s, which is most appropriate to Australia as we approach the Great Depression and perhaps the Holocaust of the 1980s:

> "The decadent international but individual capitalism, in the hands of which we found ourselves after the war, is not a success. It is not intelligent; it is not beautiful; it is not just; it is not virtuous - and it doesn't deliver the goods. In short, we dislike it, and we are beginning to despise it ... We should like to have a try at working out our own salvation. We do not wish therefore, to be at the mercy of world forces ... trying to work out some uniform equilibrium according to the ideal principles ... of laissez-faire capitalism ... We wish to be our own masters, and to be as free as we can make ourselves from the interferences of the outside world".

Rex Connor would have liked that!

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